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SUBJECT: SCENESETTER FOR THE VISIT OF CONGRESSMAN CHABOT

[1](#)1. (U) Congressman Chabot, a warm welcome to the Philippines!

The relationship and spirit of partnership between the United States and the Philippines remain strong. The unique bond shared between U.S. and Philippine veterans further strengthens our ties, as the memory of our partnership in World War II still resonates here. U.S. interests in this major non-NATO ally center on strengthening democracy, fostering economic growth, fighting terrorism and other threats to security, and providing superb services to our American and Filipino publics. The U.S. is the largest grant donor to the Philippines, its largest trading partner, and the largest investor.

[1](#)2. (U) Your visit will enable you to meet with senior Philippine officials, including new Defense Secretary Ebdane and Philippine Armed Forces Chief Esperon. You will join me in launching Balikatan 07 (shoulder to shoulder), an annual exercise that strengthens the U.S.-Philippine security partnership through civil military operations, staff exercises, and interoperability training. You will also pay tribute to the dead and missing from World War II immortalized at the American Cemetery. We look forward to making your visit productive and useful to you.

BACKGROUND

[1](#)3. (U) The Philippines, with almost 90 million people, has one of the fastest growing populations in Asia. Metro-Manila, home to at least 12 million people, is the largest city in a country made up of over 7,000 islands, many of them mountainous. Basic literacy (94%) remains high, although the standard of public education and other government services has been declining. Filipinos are mainly Roman Catholic (83%) or otherwise Christian (10%) with a small Muslim minority (6%) living primarily in Mindanao. Over 40 percent of Filipinos earn less than \$2 per day, with a much higher percentage of Muslims eking out a living below this threshold.

POLITICAL

[1](#)4. (U) Philippine political life is free-wheeling, centered primarily on the personal charisma of individual political leaders, and largely oligarchic, with most wealth and political power limited to a few influential families. Then-Vice President Gloria Macapagal Arroyo assumed the Presidency in 2001 after a "people power" movement swept out her predecessor. She has regained her footing after a series of challenges to her leadership, including unsuccessful impeachment efforts in 2005 and 2006 -- based on accusations

of vote rigging in 2004 elections -- and an alleged coup plot that led to her week-long declaration of a "State of National Emergency" in February 2006. Efforts to amend the Philippine Constitution to replace the bicameral Congress with a unicameral parliament system were unsuccessful in 2006.

¶5. (U) The Philippines assumed the chairmanship of the Association of Southeast Asian Nations in 2006, and hosted an ASEAN Summit in Cebu in January 2007. In summer 2007, it will host the annual ASEAN Regional Forum and ASEAN Post-Ministerial Conference.

SECURITY AND TERRORISM

¶6. (U) The Philippines is home to three organizations designated by the United States as Foreign Terrorist Organizations -- Jemaah Islamiyah, the Abu Sayyaf Group, and the New People's Army. The first two groups currently pose the most direct threats to U.S. interests and are located in the poor predominately Muslim south. The New People's Army operates throughout the country. We work closely on developing the capacity of the Armed Forces of the Philippines and the police to combat terrorists. We provide training and equipment, engage in a robust exercise program, and are currently undertaking a joint far-reaching bilateral program completely to reform the Armed Forces of the Philippines into a modern, effective force. Our Rewards for Justice Program provides incentives to identify and arrest terrorists.

¶7. (SBU) President Arroyo is a committed counterterrorism partner. She has repeatedly demonstrated her willingness to work closely with us on combating Islamist extremism and we

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have seen marked improvements in the Armed Forces of the Philippines' ability to sustain and conduct operations. The Armed Forces, supported by the U.S. Joint Special Operations Task Force-Philippines, has had significant success against the Abu Sayyaf Group during "Operation Ultimatum," an ongoing effort to eliminate the terrorist leadership on the island of Jolo. Philippine troops killed Khadaffy Janjalani, the leader of the Abu Sayyaf Group, in September 2006, and operations and logistics chief Abu Solaiman in January 2007 during military offensives.

MUSLIM INSURGENCIES

¶8. (SBU) Although prospects for peace with the insurgent Moro Islamic Liberation Front (MILF) continue to remain hopeful, talks recently hit a snag over the question of ancestral domain, the historically Muslim land claimed by the MILF. We are directly engaged with all players, including the MILF Central Committee, to keep the peace process on track.

¶9. (SBU) USAID devotes nearly 60 percent of its \$70 million annual assistance budget to conflict-affected areas of Mindanao, where it is focused on reintegrating former combatants, promoting economic growth and business opportunities, education, health and local governance. After the Moro National Liberation Front signed a peace deal with the government in 1996, USAID carried out a range of highly successful programs, including "Arms to Farms," which reintegrated over 28,000 former fighters back into civil society as successful farmers. USAID is ready to implement similar programs should a peace agreement be signed with the MILF.

DEFENSE AND POLICE REFORM

¶10. (SBU) The Armed Forces of the Philippines remains heavily engaged in combating internal security threats, but maintains limited external defense capabilities. Readiness is poor and modernization slow due to a lack of funding and commitment of resources. The Department of National Defense and Armed Forces Chief of Staff General Esperon strongly support the joint Philippine-U.S. Philippine Defense Reform program. There are now 11 U.S. Subject Matter Experts on the ground, and more may be added in the near future. In addition to long-term institutional changes, the multi-year Capability Upgrade Program will modernize 72 Philippine Army and 12 Philippine Marine Corps battalions over the next six years. The Battalion of Excellence component will enhance training capabilities and introduce new personnel policies, logistics programs, and equipment.

¶11. (SBU) The Philippine National Police is plagued with many of the same problems as the Philippine Armed Forces, yet is critical to urban counterterrorism operations, as well as controlling trafficking in persons, narcotics, and smuggling.

A United States Senior Law Enforcement Advisor recently joined our Embassy team to assist the Philippine Police in its transformation efforts. One short-term intervention he has already conducted was a targeted training program aimed at improving the sensitive site exploitation and evidence handling skills of police and security officials involved in tracking the terrorists on Jolo.

HUMAN RIGHTS: CONCERN OVER EXTRA-JUDICIAL KILLINGS

¶12. (SBU) Extrajudicial killings of local leftists, a perennial problem here as in many countries with weak rule of law, have recently attracted much more public attention. Leaders of leftist political groups linked to the Communist Party of the Philippines/New People's Army blame the military and police, while some in the government assert that the killings are the result of an internal purge within the Communist Party of the Philippines/New People's Army. Few of the cases have been resolved, prompting President Arroyo to set up a high-level independent commission and a special national police task force to investigate the killings. The commission recently concluded its work but its findings have yet to be released. We press the government at every opportunity to resolve these killings, and I have discussed them with President Arroyo and key members of her cabinet, as well as the Armed Forces Chief of Staff and the Chief of the Philippine National Police. They all tell me they are as appalled as we are, but we remain insistent that they must

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get control of this problem.

ECONOMICS AND TRADE

¶13. (U) The U.S. remains the Philippines largest trading partner, with over \$16 billion in two-way merchandise trade. Major U.S. exports include electronics and agriculture. The U.S. is also the largest investor here, with over \$6 billion in assets. The large American Chamber of Commerce in Manila is proud of its history as the first American Chamber of Commerce abroad.

¶14. (U) The Philippine economy performed well in 2006. Growth hit an estimated 5.5 percent, while inflation slowed to only 4.7 percent. Both the stock market and the peso ended the year at the highest levels in recent years. The economy was bolstered by a 15 percent increase in remittances by overseas workers, a recovery in exports, and sensible fiscal policies, which have brought the budget deficit under control. The Millennium Challenge Corporation has approved a \$21 million Threshold Program for the Philippines, which will focus on anti-corruption and revenue enhancement. The United

States assists in economic development, anti-corruption, environmental protection, and poverty alleviation through USAID, USDA, and an active Peace Corps presence throughout the country.

VETERANS ISSUES

¶15. (U) The U.S. Department of Veterans Affairs Manila Regional Office and Outpatient Clinic are the VA's only full-service facilities located in a foreign country. VA provides monetary benefits to approximately 15,000 veterans and dependents residing in the Philippines, and provides health care to approximately 4,000 veterans residing here. The VA operation in Manila has a sizable economic impact here, worth about \$175.2 million in FY 2006. This figure factors in monetary benefit payments, operating costs, and medical equipment provided to the Philippine Government's Veterans Memorial Medical Center. Due to the low standard of living in the Philippines and the cultural preference to conduct business through middlemen, claims fraud remains a significant challenge. While we have success in identifying fraud, obtaining prosecutions through the Philippine justice system is difficult.

¶16. (U) Filipino veterans have over the years challenged and questioned what they perceive as lack of equality in the benefits they receive as compared to those received by U.S. veterans of WWII or those Filipino veterans residing in the U.S. This issue continues to be the focus of intense lobbying by various Filipino advocacy groups. Filipino veterans and their dependents in receipt of VA benefits enjoy a far greater standard of living here than their ineligible counterparts, many of whom receive benefits from the chronically in-debt Philippine Veterans Affairs Office at the rate of approximately \$100 per month.

SOCIAL SECURITY ADMINISTRATION

¶17. (U) The Social Security Administration Division in Manila serves as the hub for social security work for all the Embassies and Consulates in the East Asia Pacific Region. The division currently serves 41,000 beneficiaries and pays out over 25 million dollars each month. In the Philippines alone, there are almost 20,000 beneficiaries.

CONSULAR

¶18. (U) The Consular Section provides services (reports of birth, passports, notarial and emergency support) to the approximately 130,000 Americans living in the Philippines as well as the addition roughly 120,000 visiting the Philippines at any given time. The Section issues about 60,000 immigrant visas a year, including visas to large numbers of nurses, teachers, and physical therapists. The Section sees almost 200,000 nonimmigrant visa applicants annually, including large numbers of merchant marine mariners and temporary seasonal workers.

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SUGGESTED TALKING POINTS

¶19. (SBU) In your meetings with Secretary Ebdane and General Esperon, as well as your interaction with other government officials and the press, you may want to draw on the following talking points:

-- Congratulations on recent killing of Abu Sayyaf Group

leader Khadaffy Janjalani and logistics chief Abu Solaiman. The Armed Forces of the Philippines continues to be engaged in impressive counterterrorism efforts in Jolo.

-- Glad we can support this important operation to eliminate the Abu Sayyaf and Jemaah Islamiyah leadership and the threat they pose.

-- Philippine Defense Reform represents a commitment to undertake fundamental institutional change. We're proud to be partners in this program.

-- We take the issue of extra-judicial killings seriously. Encouraged by steps the Philippine government has taken to try to get control of this problem.

-- We are working with the Philippines to help achieve higher economic growth and spread this growth to the bottom 40% of the population living on less than \$2 per day.

-- Great to be able to observe activities that are part of this annual exercise that helps train both U.S. and AFP personnel, and further strengthens our close security relationship. I'm particularly pleased to see the large humanitarian and civic action component in this year's exercise, because this helps provide direct benefit to Filipino citizens and makes it easier for our armed forces to work together in the event of natural disasters.

-- We have a large and active Veterans Affairs office here to make sure we provide benefits to all the many eligible veterans and their dependents. It is the only Veterans Affairs office outside the U.S.

-- The Philippines, as current chair of ASEAN and host of key summits, has a special responsibility in promoting regional stability and cooperation on a wide variety of issues, including a unified response to North Korea's nuclear testing.

-- We very much appreciate the Philippine government's public support for the agreement reached with North Korea through 6 Party Talks, and Philippine leadership in the region on this and other issues of international importance.

-- (If asked about the case of a U.S. Marine convicted of rape of a Filipina at Subic in November 2005) I cannot comment on an ongoing legal case in the Philippine justice system. Both our governments remain committed to the pursuit of justice as well as adherence to the terms of the Visiting Forces Agreement.

-- (If asked about the midterm elections scheduled for May 14) It would be inappropriate for me to comment on any aspect of Philippine elections, but we all know the importance of a transparent and fair election process in any democracy. I wish all the candidates the best of luck.

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